

Exhibit CC

Date	To
December 12, 2006	Ray Romano, Donald Bisenius
From	
Kevin Palmer	
Subject	
Approval of Non-Agency MBS Purchase below AAA	

Summary

In order to help reach our HUD goals, Freddie Mac is currently considering a Non-Agency MBS Purchase below AAA. The collateral consists of Subprime Closed-End Second (CES). The total purchase size is expected to be just over \$67 million, with about \$15 million below AAA. The lowest rated tranche is BBB- at \$1.5 million. The purchase will provide approximately 2,300 special affordable sub goal units that would help meet year end targets.

Freddie Mac does not currently have an approved methodology for modeling credit risk on CES mortgages. Therefore in order to estimate credit and capital costs we have gone outside DEFCAP and will separately require a DIV109 exception. The methodology is outlined in the memo "Costing First Franklin Closed-End Second Lien Collateral" December 6th, 2006. From this methodology our expected default costs are between 90bps and 110bps. Capital costs are 832bps.

Currently PM&P does not have policies or procedures to govern the purchase of bonds rated below AAA. This memo seeks approval to purchase bonds below AAA in order to help reach our sub goals.

Approval Signatures

SVP, Credit Risk Oversight	SVP, Credit Policy & Portfolio Management